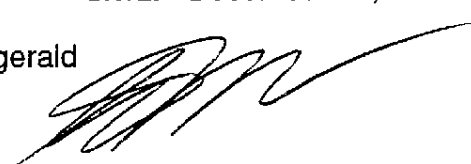


TO: Distribution

DATE: December 18, 1992

FROM: Marketing Information & Analysis/Ellen Fitzgerald

SUBJECT: CROWN'S OF LONDON

The following summarizes data available regarding American's latest Branded Discount entry, Crown's of London, including a market check and focus groups in Atlanta, GA.

SUMMARY

Despite marginal test market performance (0.16 share, 17% distribution in Portland with limited distribution evident in the remaining test markets), it is quite possible that American will launch Crown's of London nationally. Consumer response to Crown's in focus groups among 100s smokers (B&H, Premium and Discount) indicates that both the product's packaging and price point are appealing, suggesting that the potential to impact the B&H 100s franchise does exist.

FINDINGS

- Limited distribution levels and OOSs, resulting in low consumer trial across test markets, are probably attributable to inadequate field support (due to the introductions of Black & Whites, Riviera and Misty Ultra coinciding with Crown's test) and the reluctance of chains to participate in new product tests. This may suggest that test market performance does not adequately reflect the brand's absolute potential.
- Historically, American has proceeded with national product launches, despite apparent marginal test performance. For example, Riviera was launched nationally despite an adjusted share level in the Detroit test market of 0.2. Misty's national launch as a sub-generic followed a year of testing at full margin and branded generic price points where the product performed consistently across markets at 0.2.
- Linked to low levels of distribution, unaided awareness of Crown's among Atlanta focus group respondents (B&H, Premium and Discount 100s smokers) was limited. However, respondents did appear to react positively to the brand's packaging and price point. In particular, respondents found Crown's packaging to be 'expensive' and 'classy' in appearance and not in line with their expectations of a 'generic' priced product.
- Consequently, although Crown's test market performance would indicate that the immediate threat to B&H is low, this assumption is based on the brand's low levels of distribution and lack of chain penetration. If current test markets do not reflect the brand's absolute potential, it might be premature to dismiss Crown's due to its current marginal performance in test market.

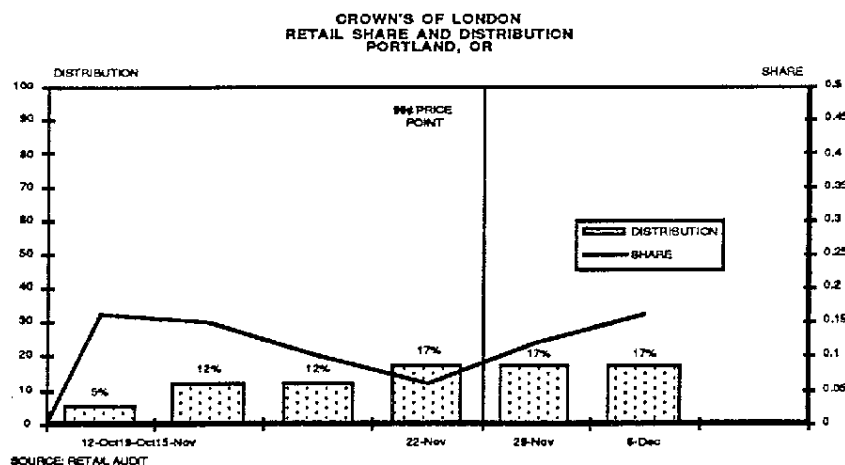
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Test Market Performance

- In the Portland retail audit, consumer takeaway increased from 0.06 to 0.16 from week ending November 22 to week ending December 6th. Share increases are probably in response to the 99¢ price point evident in an estimated 30% of stores stocking as reported by the Pricing Sweep. Field Sales indicates 99¢ price point reflects retailer pricing stemming from gratis buy-in product (buy 40 carton, get 30 carton free).
- Distribution in the panel has been flat from November 22 to December 6th at 17%. The product is primarily available in independents (30%) versus chains (11%).
- Field Sales in Atlanta and market check information suggests that the brand has an estimated 30-40% distribution, primarily in independents. The Atlanta test market does not appear to have been well maintained, as OOSs were evident in several stores visited and outdoor advertising was not in good condition.

Note: despite POS, outdoor and print advertising unaided awareness of this product among focus group respondents in the Atlanta test market was less than 10%. Aided awareness increased to an estimated 30%.

- As with Portland and Atlanta, Field Sales in Oklahoma City reports limited distribution and availability primarily in independents.



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